

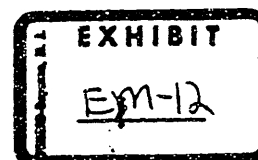
EXHIBIT EM-12

UNKNOWN SUBJECTS; POSSIBLE NEUTRALITY VIOLATION
CONCERNING A C-123 AIRCRAFT SHOT DOWN BY
NICARAGUAN MILITARY FORCES, OCTOBER 7, 1986;
NEUTRALITY ACT - NICARAGUA

SOUTHERN AIR TRANSPORTDETAILS

On October 8, 1986, FBI Miami initiated a preliminary inquiry into the crash of a C-123 aircraft in Nicaragua. This inquiry was initiated based on news media accounts concerning the circumstances of the crash.

While attending the International Association of Chiefs of Police Convention on October 8, 1986, Executive Assistant Director (EAD) Oliver B. Revell was telephonically contacted by Lieutenant Colonel Oliver North, National Security Council, and advised that a civilian aircraft, a C-123, crashed in Nicaragua. North also advised that FBI Agents were reported to have visited the offices of the Southern Air Transport (SAT) Company in Miami, Florida, in conjunction with this crash that day. North indicated that although he knew nothing of SAT being involved in any illegal activities, he was concerned that the FBI Agents conducting investigation at SAT might inadvertently discover that SAT was involved in authorized activity in regard to the Presidentially authorized initiative that Revell was privy to. North did not request that the investigation be held in abeyance nor that the FBI take any specific action but he indicated he wanted to insure that EAD Revell and Director Webster knew that the negotiation process was at a very critical stage and that any inadvertent disclosure of the involvement of a U.S. company in this process could have disastrous results. EAD Revell telephonically contacted the Miami Field Office after receiving this information from Lieutenant Colonel North, and learned that the Miami Field Office had already initiated a preliminary inquiry into this matter. EAD Revell instructed the Miami Field Office to submit a teletype to FBI Headquarters (FBIHQ) advising of the initiation of the inquiry for further dissemination to the Department of Justice (DOJ). Miami advised FBIHQ of its investigation by teletype dated October 9, 1986, which was disseminated to DOJ, Internal Security Section (ISS).



On October 10, 1986, Deputy Assistant Attorney General Mark Richard met with representatives of FBIHQ in EAD Revell's office and set forth specific instructions for the preliminary inquiry. These were included in a teletype to Miami to contact a specific source to determine the circumstances pertaining to the last known departure of the C-123 aircraft which crashed on October 7, 1986. Miami was also instructed to identify who was on the aircraft, what the aircraft was carrying, and when the aircraft had departed the Miami, Florida, area. In addition, Miami was instructed to determine any other information pertaining to the origination of this flight. Miami was instructed to establish the history and ownership of this aircraft and to determine flight plans, manifest, and any other pertinent data pertaining to the aircraft. Miami was instructed to document the basis for information received by the source pertaining to what was on the aircraft when it left Miami. Miami was also instructed to document any information in the source's possession pertaining to when and where weapons were loaded on the aircraft.

On October 14, 1986, EAD Revell advised Director William H. Webster of the call he received from Lieutenant Colonel North and the action taken by the Bureau.

Between October 10, 1986 and October 30, 1986, FBIHQ coordinated information received from the Miami, San Francisco, Jacksonville, and Savannah FBI Field Offices.

On October 30, 1986, Judge Webster received a secure telephone call from Associate Attorney General (AAG) Trott. AAG Trott had been directed by Attorney General Meese to ask that the FBI suspend for ten days, any non-urgent work in this matter. AAG Trott advised that apparently there were some sensitive hostage negotiations underway that could possibly be prejudiced. Judge Webster coordinated this required delay with Assistant Director (AD) Floyd I. Clarke, Criminal Investigative Division. AD Clarke contacted Section Chief Steven L. Pomerantz, Terrorism Section (TS). It was agreed that this temporary suspension would create no problem in the preliminary stages of this investigation inasmuch as it was concluded there was no perishable leads that would deteriorate during a ten-day suspension.

On October 31, 1986, Judge Webster prepared a memorandum dated October 31, 1986, captioned "Southern Air Transport." This memorandum was directed to AD Clarke and confirmed conversations between Judge Webster and AD Clarke, summarizing the conversation between AAG Trott and Judge Webster.

On November 10, 1986, the Unit Chief, Counterterrorism Planning and Special Investigations Unit (CPSIU), telephonically contacted the Assistant Section Chief, ISS, Criminal Division (CD), DOJ, to confirm the resumption of the preliminary inquiry. ISS stated it should be noted that no instructions had been received to resume the preliminary inquiry. The CPSIU coordinates directly with ISS, CD, all proposed neutrality investigations initiated by the FBI.

On November 12, 1986, Judge Webster placed a telephone call to AAG Trott. AAG Trott was not in the office. On November 13, 1986, when AAG Trott returned Judge Webster's call, they discussed reinstituting the investigation.

On November 12, 13, and 18, 1986, the CPSIU, TS, recontacted ISS, CD, DOJ, determining that no confirmation had been received to resume the investigation.

On November 14, 1986, Lieutenant Colonel North telephonically contacted EAD Revell. Lieutenant Colonel North advised that he was concerned that the U.S. Customs Service (USCS) investigation of Southern Air Transport was going to inadvertently disclose the ongoing negotiations situation with Iran. He emphasized the negotiations were at a critical stage and lives were at stake. North stated that the records subpoenaed by the USCS could reveal the involvement of Southern Air Transport in carrying out the presidentially approved covert mission to Iran. North stated that he was prepared to contact the USCS and ask them to hold their investigation on a temporary basis. EAD Revell advised Lieutenant Colonel North that he should not contact the USCS since this was a criminal justice matter but that he should contact AAG Trott who was aware of the hostage situation and would be in a better position to evaluate the appropriate course of action. Lieutenant Colonel North agreed this would be the appropriate course of action. Thereafter, EAD Revell confirmed with AAG Trott that Lieutenant Colonel North had, in fact, contacted him regarding this matter.

On November 20, 1986, AAG Trott advised EAD Revell that the FBI should resume their preliminary inquiry in this matter and complete this inquiry.

On November 21, 1986, the CPSIU prepared a communication, after a detailed review of the case, setting forth specific leads per instructions received in the past from DOJ. This communication was revised to assure prioritization of leads and after obtaining necessary approvals, was transmitted to the field on November 26, 1986.

On November 26, 1986, this teletype was received by the appropriate field offices with instructions to complete investigation.

On December 5, 1986, this matter was turned over to the "Front Door" Special and the White Collar Crime Section.